

ORDINANCE 1181279 BHS

AN ORDINANCE relating to rates and charges for water services of Seattle Public Utilities; revising water rates and charges for master metered residential developments outside the City of Seattle and amending Seattle Municipal Code Chapter 21.04.440.D in connection therewith.

WHEREAS, The Highlands is a nonprofit corporation and private residential neighborhood located in the City of Shoreline within the retail water service area of Seattle Public Utilities (SPU); and

WHEREAS, SPU has served The Highlands as a retail water customer through a master meter since 1971; and

WHEREAS, The Highlands operates and maintains a system to distribute the purchased water to its residents and receives revenues from its residents to pay the costs of the purchased water and the operation of its system; and

WHEREAS, the State of Washington Department of Revenue (DOR) informed The Highlands in April 2013 that it is subject to the State Public Utility Tax (PUT) on revenues received from its residents, and directed The Highlands to pay the PUT directly to DOR retroactively to January 2009 and going forward; and

WHEREAS, SPU had paid the PUT on the revenues it received from The Highlands for the same period and in December 2013, DOR confirmed that SPU could deduct the revenues it received from The Highlands from the revenues on which SPU pays the PUT, and refunded that portion of PUT paid by SPU since January 2009; which, will in turn, be refunded to The Highlands; and

WHEREAS, SPU's retail rates are structured to collect revenues to cover the costs of the PUT paid by SPU; and

WHEREAS, the retail rates and customer class definition under The City of Shoreline and City of Lake Forest Park Master Metered Residential Developments under Seattle Municipal Code (SMC) 21.04.440.D.2 needs to be revised to reflect that The Highlands now pays the PUT directly to DOR; NOW, THEREFORE,

**BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

Section 1. Seattle Municipal Code Section 21.04.440.D.2 is amended to read as follows:

**21.04.440 Rates outside the City of Seattle**

\* \* \*

D. Rates Inside the City of Shoreline and City of Lake Forest Park. Rates and charges in this SMC Subsection D apply to retail customers of Seattle Public Utilities located within the City of Shoreline and City of Lake Forest Park who are not served under the terms of a wholesale contract. Seasonal rates shall be prorated. For usage representing fractional parts of a month, the base service charge and all components of the commodity charge shall be prorated using a 30 day month. Except as otherwise provided in this chapter, the rates and charges for water supplied shall be as follows:

\* \* \*

**2. City of Shoreline and City of Lake Forest Park Master Metered Residential Developments.**

a. The rates for residential developments with master meters of 1 1/2 inches or larger, which operate and maintain their own distribution systems on private property, ((and)) which use water primarily to serve single-family, detached residences on at least two separate legal parcels, and which do not pay Public Utility Taxes under RCW 82.16 directly to the State of Washington shall be based on a commodity charge and a base service charge, in accordance with the following schedule:

~~((Effective January 1, 2011:~~

**Commodity Charge** **Per 100 Cubic Feet**

~~Summer (May 16th – September 15th)~~

~~First 500 cubic feet per residence \$4.83~~

~~Next 1300 cubic feet per residence 5.62~~

~~All over 1800 cubic feet per residence 14.31~~

~~Winter (September 16th – May 15th)~~

~~All usage 4.39~~

**Base Service Charge**

**Meter Size** **Monthly Charge**

~~1 1/2 inch \$ 25.10~~

~~2 inch 27.80~~

~~3 inch 102.70~~

~~4 inch 147.20~~

~~6 inch 181.00~~

~~8 inch 241.00~~

~~10 inch 360.00~~

~~12 inch 488.00~~

~~16 inch 579.00~~

~~20 inch 745.00~~

~~24 inch 935.00~~

~~Effective January 1, 2012:~~

**Commodity Charge** **Per 100 Cubic Feet**

~~Summer (May 16th – September 15th)~~

First 500 cubic feet per residence	\$5.26
Next 1300 cubic feet per residence	6.25
All over 1800 cubic feet per residence	14.31
Winter (September 16th – May 15th)	
All usage	4.90

**Base Service Charge**

Meter Size	Monthly Charge
1 1/2 inch	\$ 25.55
2 inch	28.30
3 inch	104.70
4 inch	150.10
6 inch	184.70
8 inch	241.00
10 inch	360.00
12 inch	488.00
16 inch	579.00
20 inch	745.00
24 inch	935.00

**Effective January 1, 2013:**

**Commodity Charge Per 100 Cubic Feet**

**Summer (May 16th – September 15th)**

First 500 cubic feet per residence	\$5.74
Next 1300 cubic feet per residence	6.94
All over 1800 cubic feet per residence	14.31

**Winter (September 16th – May 15th)**

All usage	5.46
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**Base Service Charge**

<b>Meter Size</b>	<b>Monthly Charge</b>
1 1/2 inch	\$ 26.00
2 inch	28.80
3 inch	106.70
4 inch	152.95
6 inch	188.15
8 inch	241.00
10 inch	360.00
12 inch	488.00
16 inch	579.00
20 inch	745.00
24 inch	935.00))

**Effective January 1, 2014:**

<b>Commodity Charge</b>	<b>Per 100 Cubic Feet</b>
<b>Summer (May 16th - September 15th)</b>	
First 500 cubic feet per residence	\$6.22
Next 1300 cubic feet per residence	7.69
All over 1800 cubic feet per residence	14.31
<b>Winter (September 16th - May 15th)</b>	
All usage	6.05

**Base Service Charge**

<b>Meter Size</b>	<b>Monthly Charge</b>
1 1/2 inch	\$ 26.50
2 inch	29.35
3 inch	108.70

4 inch	155.80
6 inch	191.70
8 inch	241.00
10 inch	360.00
12 inch	488.00
16 inch	579.00
20 inch	745.00
24 inch	935.00

b. The rates for residential developments with master meters of 1 1/2 inches or larger, which operate and maintain their own distribution systems on private property, which use water primarily to serve single-family, detached residences on at least two separate legal parcels, and which do pay Public Utility Taxes under RCW 82.16 directly to the State of Washington shall be based on a commodity charge and a base service charge, in accordance with the following schedule:

**Effective August 1, 2014:**

<b><u>Commodity Charge</u></b>	<b><u>Per 100 Cubic Feet</u></b>
<b><u>Summer (May 16th - September 15th)</u></b>	
First 500 cubic feet per residence	\$5.82
Next 1300 cubic feet per residence	7.20
All over 1800 cubic feet per residence	13.39
<b><u>Winter (September 16th - May 15th)</u></b>	
All usage	5.66

**Base Service Charge**

<b><u>Meter Size</u></b>	<b><u>Monthly Charge</u></b>
1 1/2 inch	\$ 24.80
2 inch	27.45
3 inch	101.75
4 inch	145.80
6 inch	179.40
8 inch	225.55
10 inch	336.90
12 inch	456.70
16 inch	541.90
20 inch	697.25
24 inch	875.05

\* \* \*

Section 2. Prior ordinances of the City setting rates and charges for water services of Seattle Public Utilities shall continue in effect with respect to obligations incurred for water services rendered before the effective date of this ordinance, unless and until such prior ordinances expire of their own terms or are superseded.

1 Section 3. This ordinance shall take effect and be in force 30 days after its approval by  
2 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it  
3 shall take effect as provided by Seattle Municipal Code Section 1.04.020 or August 1, 2014,  
4 whichever is later  
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6  
7 Passed by the City Council the \_\_\_\_ day of \_\_\_\_, 2014 and signed by me in open  
8 session in authentication of its passage this \_\_\_\_ day of \_\_\_\_, 2014.  
9

10 \_\_\_\_\_  
11 President \_\_\_\_ of the City Council  
12

13 Approved by me this \_\_\_\_ day of \_\_\_\_, 2014.  
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15 \_\_\_\_\_  
16 Edward B. Murray, Mayor  
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18 Filed by me this \_\_\_\_ day of \_\_\_\_, 2014.  
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20 \_\_\_\_\_  
21 Monica Martinez Simmons, City Clerk  
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23 (Seal)  
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## **FISCAL NOTE FOR NON-CAPITAL PROJECTS**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
Seattle Public Utilities	Paul Hanna/4-7752	Aaron Blumenthal/3-2656

### **Legislation Title:**

AN ORDINANCE relating to rates and charges for water services of Seattle Public Utilities; revising water rates and charges for master metered residential developments outside the City of Seattle and amending Seattle Municipal Code Chapter 21.04.440.D in connection therewith.

**Summary of the Legislation:** This legislation would add an additional rate category and rates for Master Metered Residential Developments (MMRD) in the City of Shoreline for customers that pay State Public Utility Tax (PUT) directly to the Department of Revenue. The existing category and rates for MMRD customers include recovery of costs for SPU to pay the PUT to DOR.

### **Background:**

The Highlands is an existing MMRD retail customer, located in the City of Shoreline. Customers in this community pay residential rates under SMC 21.04.440.D. The Highlands is a nonprofit corporation and residential neighborhood with 154 houses and several common facilities that are billed as one entity. The Highlands maintains and owns the water distribution infrastructure within the MMRD and bills each of the 154 residences, its customers, separately. In April 2013, The Highlands resolved an audit by the Department of Revenue resulting in a finding that the Highlands was responsible for paying PUT on its water system revenues directly to the Department retroactively to 2009 (the "audit period") and going forward.

Existing MMRD rates are structured to collect revenues for SPU to pay PUT directly to the Department of Revenue, i.e. SPU had also paid PUT to the Department on revenues it received from The Highlands for the same audit period. Following The Highland's resolution with the Revenue Department, SPU received confirmation from the Department it could deduct revenues it receives from The Highlands from revenues on which it pays PUT to the Department. Based on the Revenue Department's confirmation, SPU initiated a refund request with the Department for overpayments of PUT on revenue received from The Highlands. SPU also began deducting revenues received from The Highlands from the revenues on which it pays PUT in September 2013. The Department refunded PUT payments totaling \$68,332 to SPU in December 2013, covering SPU overpayments and interest from January 2009 through August 2013 relating to revenue it received from The Highlands.

Based on the above, it is necessary for SPU to establish a new rate category and rates to correct the amount of revenues it collects from MMRD customers that pay PUT directly to the Revenue Department. The attached legislation establishes these new rates, which are designed to collect the same amount of revenue as with the existing rates after all taxes are applied.

SPU will refund to The Highlands the amount of rates it has collected through rates to pay PUT to the State from January 2009 through the effective date of this ordinance. The total of all refunds to The Highlands is expected to be less than \$100,000.

**X** This legislation has financial implications.

**Appropriations:**

Fund Name and Number	Department	Budget Control Level*	2014 Appropriation	2015 Anticipated Appropriation
<b>TOTAL</b>				

*\*See budget book to obtain the appropriate Budget Control Level for your department.*

Appropriations Notes:

**Anticipated Revenue/Reimbursement Resulting from this Legislation:**

Fund Name and Number	Department	Revenue Source	2014 Revenue	2015 Revenue
Water Fund 43000	SPU	Water Rates	- \$8,500	-\$16,000
<b>TOTAL</b>				

Revenue/Reimbursement Notes:

This legislation will reduce the water rates paid by The Highlands by the amount of PUT embedded into their current rates. The lower revenue associated with these rates will be offset by lower taxes paid, leaving SPU without harm.

There is no reimbursement in this legislation; however, this legislation is related to a tax status change of one of our customers, which results in a refund due to overpayment. The total refund amount will cover from January 2009 up to the effective date of the new rates plus interest, and is expected to total less than \$100,000.

**Other Implications:**

- a) Does the legislation have indirect financial implications, or long-term implications?  
 No.

- b) **What is the financial cost of not implementing the legislation?**  
Without implementation SPU would be forced to track The Highlands revenue separately and continually refund overpayment. The dollar amount would be minimal but the administrative effort would be high.
- c) **Does this legislation affect any departments besides the originating department?**  
No.
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** None.
- e) **Is a public hearing required for this legislation?**  
No.
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**  
No.
- g) **Does this legislation affect a piece of property?**  
No.
- h) **Other Issues:**

**List attachments to the fiscal note below:**



City of Seattle  
Office of the Mayor

June 10, 2014

Honorable Tim Burgess  
President  
Seattle City Council  
City Hall, 2<sup>nd</sup> Floor

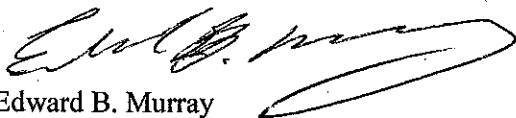
Dear Council President Burgess:

I am pleased to transmit the attached proposed Council Bill that would establish a new rate category and rates for the new category for a small group of Seattle Public Utilities water customers.

The Highlands is a community in the City of Shoreline that receives residential service from SPU. The 154 residences and several common facilities comprising the community are part of a nonprofit corporation that is billed as one entity. The Highlands owns and maintains the water distribution infrastructure in the community and bills its customers separately. An audit by the State Department of Revenue last year determined SPU has mistakenly been paying Public Utility Taxes on revenues received from the Highlands. This legislation would reduce the water rates paid by The Highlands by an amount equal to SPU's Public Utility Tax burden from its current class. Because the tax burden to SPU is reduced by an amount equal to the reduction in revenue, SPU is held harmless with these new rates while The Highlands will pay the tax directly to Washington Department of Revenue.

By creating an additional rate category for a particular class of customer, this legislation will resolve an audit issue at no impact to SPU's other customers. Thank you for your consideration of this legislation. Should you have questions, please Regina Carpenter at 684-0836.

Sincerely,



Edward B. Murray  
Mayor of Seattle

cc: Honorable Members of the Seattle City Council